

FIRE FOE OF CREDIT

Insurance a Mighty Factor
in Modern Business.

MEN ARE RATED BY AMOUNT

Justin Peters Discusses Relation Existing Between Protection Against Fire and Indebtedness a Firm May Assume—Principle Runs Through Many Forms of Trade.

In the publication known as the New Jersey Retailer's Annual, which is devoted to the lumber manufacturing industry, Justin Peters, manager of the Pennsylvania Lumbermen's Mutual Fire Insurance Company, discusses in an interesting manner the relation existing between fire insurance and credit. While Mr. Peters' article is addressed to lumbermen in particular, it has a bearing upon every kind of business done in quarters where credit is asked or extended.

After showing that his subject is of peculiar interest to lumbermen, Mr. Peters says:

"A close relationship exists between fire insurance and credit. One cannot suffer without affecting the other. This is true in a broad sense, and it is true in individual cases.

"If ruinous conflagrations were to drive insurance capital out of the field, there would at once be a shrinkage of credit and a calling in of loans throughout the country, as compared with which our recent experience would seem trivial. The business depression would not only be acute, but what is worse, it would be prolonged until such time as capital could be again drawn to this channel of investment. At first rates would be so high that many people could not afford to carry the insurance necessary to support their credit.

Competition Decides Rates.

"This would continue until a sufficient volume of capital invested in the insurance business, would again create competition. It is my opinion that the losses sustained by the conflagrations at Baltimore and San Francisco and the consequent heavy payments by insurance companies are more responsible for the present business conditions than any or all of the many other reasons that have thus far been given.

"There are few men in the business who are strong enough to ignore the effect which fire insurance has upon credit. For the average man engaged in business fire insurance is essential to his credit, and will continue to be so long as goods are sold on time and man borrows money.

"Ninety-seven per cent of the world's business is conducted on credit and only 2 per cent on a cash basis. It is therefore only natural that creditors should see to it that protection is extended to their property against one of the most destructive forces of nature and most frequent causes of loss.

"If it were not for fire insurance, the merchant would not be justified in selling goods to a customer in excess of the latter's actual capital, as the goods might be destroyed by fire, the cause of which would be entirely beyond the customer's control. If fire insurance is carried, however, the merchant may extend credit in excess of the customer's capital. Why? Because if he knows the man to be honest, industrious, careful, and capable, with the removal of the possibility of loss through fire, he feels that he is reasonably certain of being paid the money due him.

Men Rated by Insurance.

"The mercantile agencies inquire as to the amount and character of fire insurance carried and rate a firm accordingly. In 90 per cent of the cases where merchants suffer fire losses without insurance, the creditors fail to collect the money due them. Not only do they lose money on the goods which they have sold on credit, but they find that, although not in the insurance business, they have actually been carrying insurances. Without the premium charge which a fire insurance company would require for similar work. Profit by this fact, and when you ask a customer for a statement, also require that he shall give you the amount of fire insurance which he carries, and the names of the companies in which he is insured. This will help you to pass upon the quality of the indemnity.

"Remember that many men have failed after fires because they could not collect their insurance promptly, as well as for the lack of it.

"The man who can't get insurance has no credit. One recommendation for credit is to have a line of reputable insurance companies on a risk. This is not an unerring proof that the moral risk and business methods of a firm are all right, but it is presumptive evidence of that fact.

"The lumbering companies do not want to sell insurance to a lumberman to whom their officers would not sell lumber. We watch a man's credit and the credit man watches us. It is no unusual thing for us to have a representative of a mercantile agency call to inquire about a man's insurance and our opinion of him.

Lack of Insurance Reflects on Firm.

"It is a reflection on business judgment and thereby on a firm's credit not to be properly protected by fire insurance. A certain well-known lumberman who lost heavily in a fire some years ago and who did not carry enough insurance said to me that, while he had suffered a heavy loss which he could ill afford to do at his advanced age, the point that troubled him most was, that his business associates of a lifetime would say that he had shown poor business judgment.

"The lack of fire insurance in most cases is also an indication that a man has not formed the habit of guarding against disaster. This is a vital defect in character that will manifest itself in other ways than by ignoring the advantages of fire insurance.

The question may very properly be asked if it is ever possible for a man not to carry insurance without thereby affecting his credit. To this question I answer "Yes." Where a man has a substantial surplus of available capital outside of his business, so that the heaviest fire loss that he can possibly sustain will not cripple him, such a person's credit would not suffer to any appreciable extent. Few of us, however, are so situated. Whether such a case as that above cited would affect one's credit or not, it is a fact that it is a poor business proposition for a person to engage in the insurance business in this way.

What Is Essential in the Company.

You have seen from what has preceded that fire insurance is essential to the commercial standing of most men. This being true, the next point is, What is essential to the credit of a fire insurance company? The answer is:

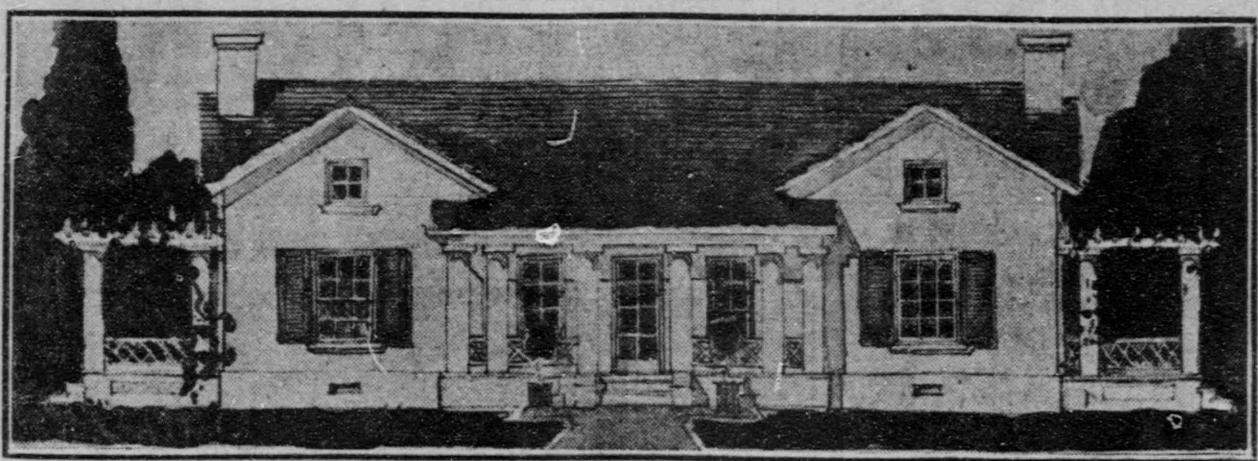
1. The character of the men who are at the head of the institution as well as the character of its employees. While character is at the base of all credit, this is especially true of the insurance business.

2. What is the company's reputation for the payment of its losses? Are they adjusted fairly and paid promptly, or does the company haggle over technicalities?

3. What relation does the surplus, after deducting all liabilities, including reinsurance reserve, bear to the total insurance in force?

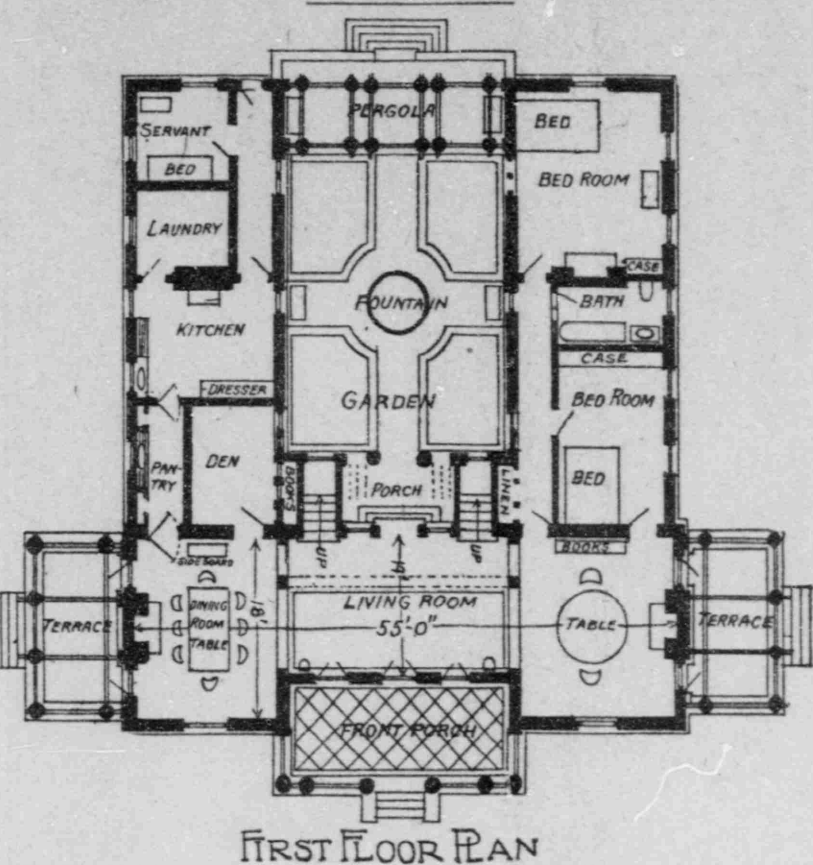
4. Are the funds of the company in-

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Cozy Home on Livingstone Heights, Planned by Wood, Donn & Deming.

INTERIOR OF THE PRESSEY HOME.



FIRST FLOOR PLAN

vested in the best securities, and is their market value shown in their statement as of December 31, 1907?

5. Does the company write single excessive risks?

6. Does the company offer to take your insurance at much lower rates than are charged by reputable companies? A fire insurance company, like a lumberman, cannot sell its goods at less than cost and stay in business.

Business Lacks Statistics.

In closing this paper I wish to read the following admirable quotation: "No statistics would be possible to show the extent of fire insurance business as now practiced, for those figures would need to be as large as those of all trade. There is practically no combustible property that is not insured against fire. Without such a system modern commerce would be impossible.

"The fire insurance policy, or the assignment of a certain interest in it, is attached to the mortgage given by the farmer for money to build his new barn; the fire insurance policy is as necessary to the banker as is the warehouse or shipping receipt on the strength of which he advances funds for that magic of commerce, 'moving the crop.' Fire insurance is as important to the manufacturer as is the foundation under his factory; fire insurance is, in fact, the very backbone of that part of our social life which has to do with making, moving, and keeping material things."

TREES AND NATIONAL DECAY.

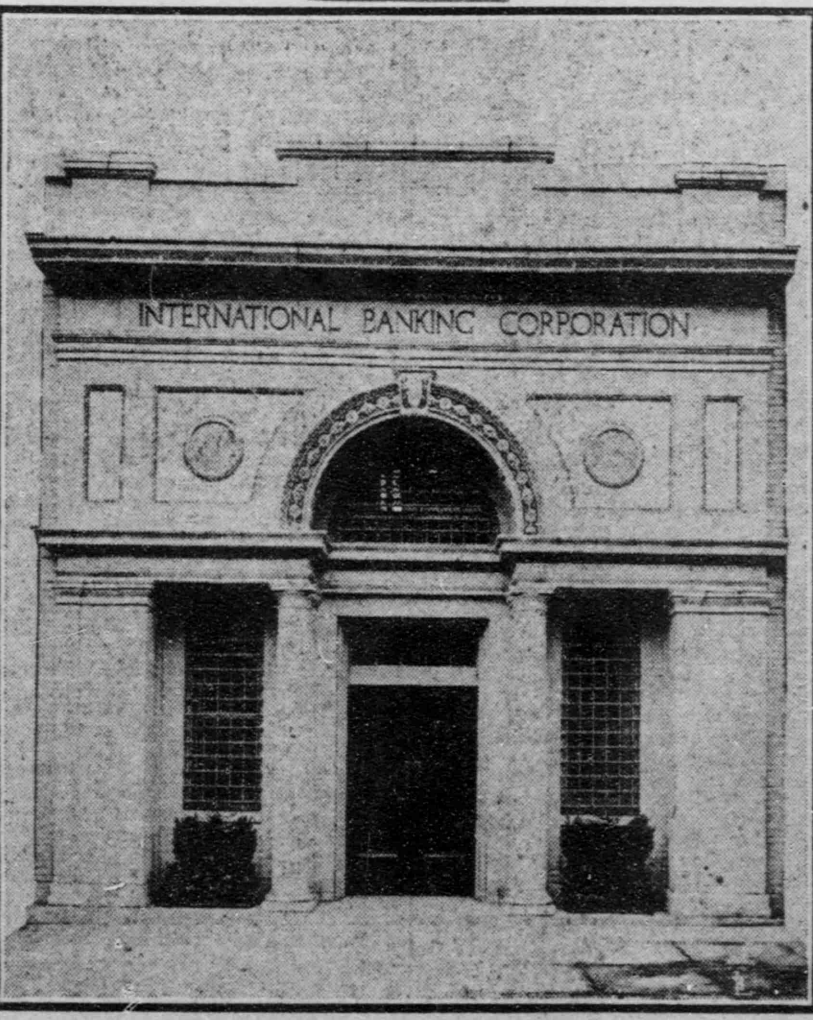
Loss of Spanish Forests Causes Change in Inhabitants.

A graphic picture of the part played by deforestation in the national decadence of Spain is the main feature of Nat. Wochenschrift's article by Dr. Felix Marcus. The cutting down of forests on the mountains of Central Spain, he points out, has made the climate excessively dry and, therefore, sterile, this fact being the prime cause of the intellectual and industrial stagnation of the peasants, who are worked to death to support life. Dr. Marcus severely condemns the practice, which he finds prevalent in that country, of burning off forests.

Curious Charity.

In the little town of Munsiedel, in Bavaria, there exists one of the most curious charitable foundations in the world. One of the burghers, Christopher Wanner, died in 1451 and left his fortune for the establishment of a home for aged poor. He attached, however, the condition that every old man who was taken in should wear a beard and the same out of clothes and cap as he himself used to wear. Consequently, after the lapse of 450 years the ancient pensioners are still to be seen wandering about the streets of Munsiedel in the costumes of the fifteenth century.

NEW BANK ON CONNECTICUT AVENUE.



Designed by Arthur B. Heaton.

ENTERS A NEW HOME

International Banking Corporation Moves Monday.

CONNECTICUT AVENUE BRANCH

Uptown Bank Meets with Success, and Is Now Permanently Established—Building Designed by A. B. Heaton—Its Features Described. Part of Great Financial System.

The International Banking Corporation will occupy its new building, at 1136 Connecticut avenue, to-morrow, having removed from its former offices at 1134. The manager and officers of the institution have extended an invitation to the public to inspect the building and its arrangements for the comfort and convenience of the bank's customers.

The new building is designed after the Italian renaissance style, and is highly attractive both outside and in. The building was designed and supervised by Arthur B. Heaton, architect. The fixtures are attractively designed in mahogany and plate glass, and a striking feature of the interior is the emblem of the bank, the double hemisphere, indicating the nature of its business, surmounted by the American eagle.

The bank has every modern appliance in the way of fireproof, steel-lined vault, built of reinforced concrete with steel, burglar proof safe, time locks, &c., and with safe-deposit boxes for the use of its customers.

Special Room for Ladies.

The ladies' department is a special feature of the branch. Every convenience which could add to their comfort in the transaction of business has been provided. The room is commodious and tastefully decorated, and furnished with soft tinted walls, provided with mahogany tables, comfortable chairs, handsome rugs, &c., with a toilet-room attached, and other accessories which suggest a ladies' luxurious club, where they may rendezvous, write a note, rest for half an hour in discharging social obligations, and be thoroughly comfortable and enjoy more or less privacy when making deposits, drawing checks, or transacting other banking business. This room is entirely separate from the general banking office.

The International Banking Corporation was established in this city four and one-half years ago, and is a branch of the same bank whose towering edifice at 60 Wall street, New York, is one of the attractions of the lower part of that city. Its local branch has been successful from the outset, and to-day its local deposits are exceeded by only one or two of the banks in Washington.

Pursues Conservative Policy.

To its large capital and surplus the bank adds a conservative policy which has enabled it to hold itself well in hand at all times, and has proven it to be a source of strength in periods of financial stringency.

The bank, although in every respect an American institution, is formed along the lines of the large English joint stock banks of London, whose boast is that there has not been a single failure among them for the past forty-two years. It is the only incorporated bank in the United States which extends its business into foreign countries, and in order to conduct its business satisfactorily it is necessary for such a bank to have its own branches in different parts of the world.

In Charge of Col. Tait.

The Washington branches are under the charge of J. Selvin Tait, as manager of the branches of the District, with Col. James Morris Morgan as assistant manager. The Connecticut avenue branch is under the charge of Norman Bestor, as assistant manager. The market branch, in charge of Graham Hume and T. M. Jones.

Mr. Tait acquired his banking experience first in Scotland, and later on as bank manager in London. He has resided in this country for the past quarter of a century and brought to international banking questions an unusually ripe experience. Under his management the local branches of the International Banking Corporation, with its large capital and deposits, was a source of strength during the recent financial crisis.

The bank has followed a conservative policy from the start, and when the crisis came its assets were in a sound and liquid shape, thereby enabling it not only to continue the full volume of its regular loans and discounts without change of any kind, but to extend its facilities in a marked degree at a period when services of the kind were very highly prized.

RAISE BANANAS IN NORTH

Fruit Will Grow in Hothouses, but Requires Careful Handling.

Bananas can be raised in Northern States, according to Edward B. Beale, a noted horticulturist of Springfield, Mass. Of course, though, it would be necessary to bring them up in hothouses and the shoots would have to be carefully transported from the tropics, so there is no likelihood that banana growing will spring into a profitable line of business.

Mr. Beale recently began an experiment with the banana at his hothouse in Springfield. As the plant cannot be raised from the seed, he sent South for one of the little shoots which spring up after the old tree dies. This was sent to him under high temperature, and he began to raise it in his hothouse.

Under glass the plant has flourished in excellent fashion, he says. In two months he expects that the fruit will be ready for eating, and at that time he intends to invite a number of horticulturists to visit him and eat the Northern-grown bananas.

Valuable Woods in Colombia.

There are many valuable woods in Colombia. Where required, they are used locally, but difficulties of transport and the phenomenal weight of some of the most useful kinds—e. g., guayacan and diomate—almost preclude export to other countries.

WOULD SAVE FORESTS

Lumberman's Views on Situation in Adirondacks.

PROPOSES STATE OWNERSHIP

Declares Purchase of 4,000,000 Acres at About \$50,000,000 Would Be a Good Investment—In Addition the State Would Control the Future Water Supply of the Hudson.

Robert W. Higbee, a prominent hardwood manufacturer of New York, who owns extensive timber lands and mills in the Adirondack region, takes a public-spirited view of the preservation of the forests of these mountains, and has written an interesting communication on the subject, which appeared in the last issue of the New York Lumber Trade Journal. Mr. Higbee's communication was written under date of March 2, and follows:

All authorities who have made the question of the timber supplies of our country a study agree that at the present rate of consumption and waste the timber supply east of the Mississippi River will be exhausted in less than twenty-five years. Commissioner Whipple, of that State, in his last annual report says that New York's supply will be practically gone in about twenty years.

There is no doubt that there is good ground for these warnings and that the time is now here when not only the national government but the State governments as well should give the question of "public ownership" of timber lands most careful consideration.

Opportunity Faces Empire State.

The opportunity in New York is not only a golden one, but it is also almost unique. The greater part of our standing timber is in the Adirondacks, and for the purpose of perpetuating the water supply this is the only part of the State that would need serious attention, because the water supply for the Mohawk and Hudson River valleys is drawn almost entirely from the Adirondack forests.

The Adirondack forests consist of 4,500,000 acres, of which the State already owns about one-third. In addition to these State lands there is owned by private interests and held as private forest parks sufficient timber land to bring the total up to more than 2,000,000 acres from which no wood is now being cut. With this splendid beginning, it is not time for the State to consider seriously the purchase of the remaining 2,000,000 acres?

The conditions in the Adirondacks are almost ideal for such an investment by the State. While the softwoods (spruce and hemlock) have been largely taken off, the hardwoods (beech, birch, and maple) have been scarcely touched. There are good reasons why hardwoods have been left. The Adirondack forests are very inaccessible, and as the hardwood logs cannot be floated in the streams to the saw-mills it has not been profitable up to this time for the lumbermen to get them out.

Cutting Hardwood Trees Rapidly.

The advance in the price of hardwoods and the improved and less expensive facilities for logging are changing these conditions very rapidly, and it is only a question of a short time when it will be profitable to go after these hardwoods. As a matter of fact, within two or three years two companies alone have bought about 100,000 acres in St. Lawrence County and have already commenced operations.

The purchase of this entire Adirondack area, besides insuring a perpetual and equable water supply, could not fail to be a profitable investment, for the statistics of the national government show that there has been for years an average advance in the price of timber lands equal to 10 per cent annually.

Two questions naturally suggest themselves: What would the cost of these lands amount to and how could the State get any returns? The total cost of the whole 4,000,000 acres would probably not exceed \$50,000,000, and this sum includes the amount already spent in purchasing the 1,500,000 acres now owned by the State. Having purchased this Adirondack area, the State would own about 35,000,000 feet of standing timber, and could then seriously consider the advisability of so amending the constitution as to permit the cutting of the large ripe trees. With such a supply of standing timber the State could safely sell 1,000,000 feet annually and still know that its supply would be inexhaustible, for the average annual growth would be at least 3 per cent. The revenues to the State from the sale of this amount of timber standing in the forests would be anywhere from \$3,000,000 to \$4,000,000.

In addition to the annual growth, the State should plant all the cut-over and clear lands. Experiments made under the supervision of the State superintendent of forests have proved very successful and clearly show that the cost would not exceed \$5 an acre.

Revenue Would Pay All Costs.

Should the above plan be adopted, the revenue secured from the sale of 1,000,000 feet of timber would pay all the cost of administration, the full interest on the investment, and furnish a sum sufficient to plant many acres each year.

I know full well that public sentiment might not at this time consider this proposition of cutting timber from State lands, but the public must know that forestry is already a science, and that the removal of trees of proper sizes under proper regulations is a benefit and not an injury to any nature forest.

Fifty millions of dollars is a large sum of money. It is true, but it is less than one-half of what is being spent to enlarge the Erie Canal, and this canal is a venture of doubtful benefit, from which no revenue is expected, while the protection of our watersheds and the perpetuation of a future forest supply are not only absolute necessities, but would be an investment bound to bring direct returns more than profitable.

Would our legislature, now in session, not do well either to appoint a commission to investigate a sum or to determine some way of securing to the State the two natural resources of forest and water supply?

The time for the adoption of this plan is most favorable, because the softwood operations are fast approaching their end, and the hardwood operations have scarcely commenced at all, except in a few instances, and these are located on the outside boundaries of the forests.

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